

**NEW HAMPSHIRE INSURANCE DEPARTMENT
21 SOUTH FRUIT STREET SUITE 14
CONCORD, NH 03301**

INSURANCE LAW CHANGES FOR CALENDAR YEAR 2007

Revised Premium Tax Forms

The premium tax forms and instructions have been substantially revised for calendar year 2007 due to the July 1, 2007 change in the premium tax rate for various lines of business.

The company will be required to provide the NH State Page for the six month period ended June 30, 2007, and for the six month period ended December 31, 2007. In addition, the electronic worksheet has been substantially revised. The NH BASIS portion is largely automated. Please review the forms and the instructions carefully prior to completing the returns.

Business Enterprise Tax Credit

Chapter 255 of the laws of 2007 makes changes in the deductibility of NH Business Enterprise Tax. The law was amended to provide that "...The taxes paid pursuant to RSA 77-E by a member of a unitary business with the meaning of RSA 77-A:1; XIV shall be allowed as a credit against any other individual member's liability under this chapter, *provided that such other member is also subject to the tax imposed by this chapter*....

This means that the Business Enterprise Tax generated by non-insurance company members of a unitary group will not be allowed as a deduction against the premium tax paid by insurance company members of a unitary group.

Business Enterprise Tax Forms required for a unitary business:

Members of a unitary business must provide the following forms:

Form BT-SUMMARY

Form BET-WE

Form BET -80-WE

Form NH-1120-WE

Such other forms as are necessary to assess the deductibility of the company's BET tax.

Business Enterprise Tax Forms required for a non-unitary business:

Companies not members of a unitary business must provide the following forms:

Form BT-SUMMARY

Form BET

Form NH-1120

Such other forms as are necessary to assess the deductibility of the company's BET tax.

The company's filing should be sufficiently complete so as to enable the NH Insurance Department to make a definitive assessment of the propriety of any NH Business Enterprise Tax amounts claimed as a credit against the premium tax liability.

Workers Compensation Administrative Assessment

Chapter 263 of the laws of 2007 amended RSA 281-A:59 to eliminate the workers compensation administrative assessment credit against premium taxes. Therefore, this credit may no longer be applied against the premium tax liability.

Premium Tax Due Dates

CY 2007 Premium Tax Return

March 15th, 2008

CY 2008 Estimated Payment

March 15th, 2008

Ocean Marine tax return and tax due May 1, 2008.

INSURANCE LAW CHANGES FOR CALENDAR YEAR 2006

RE: CHANGES IN RSA 400-A:32 I and II

METHOD AND DUE DATE FOR PAYMENT OF ESTIMATED PREMIUM TAXES PREMIUM TAX RATES FOR CERTAIN LINES OF BUSINESS

Chapter 277 of the laws of 2006 changes the method of remitting estimated premium taxes and reduces the premium tax rate for certain lines of business.

- The method for the payment of estimated premium tax has been changed from a quarterly payment system to a 100% prepayment system effective for the calendar year ending December 31, 2007. The law provides that for calendar years ending December 31, 2007, and thereafter, every authorized insurer required to pay a tax in accordance with RSA 400-A:32 I, shall make payment in full of an amount equal to 100 percent of the previous calendar year's premium taxes on March 15th. In other words, the prepayment due on March 15, 2007, will be equal to 100 percent of the premium tax due for calendar year 2006. There will be no estimated payments for June, September, and December for calendar year 2007 and thereafter.
- The premium tax rate for premiums written pursuant to RSA 401:1 I-III and V-VIII, and RSA 401:1-a I and II has been reduced as of the following effective dates:
Effective for premiums written on or after July 1, 2007, a tax rate of 1.75%
Effective for premiums written on or after January 1, 2009, a tax rate of 1.5%
Effective for premiums written on or after January 1, 2010, a tax rate of 1.25%,
and,
Effective for premiums written on or after January 1, 2011, a tax rate of 1.00%.
- Premium tax for lines of business written pursuant to RSA 401:1 IV, including, but not limited to, insurers licensed pursuant to RSA 420-A, RSA 420-B, and RSA 420-F shall remain at 2%.

INSURANCE LAW CHANGES FOR CALENDAR YEAR 2005

- ***Payment by Electronic Funds Transfer (EFT)***

RSA 400-A:32-b Requires payment by electronic funds transfers in certain circumstances.

Chapter 248 of the Laws of 2005 added the following provisions to the Insurance Code effective January 1, 2006 and following:

"Insurers shall remit taxes by electronic funds transfer according to the following schedule:

- I. When the insurer, or group of insurers, had a tax liability in the prior tax year of **\$40,000** or more, effective January 1, 2006.
- II. When the insurer, or group of insurers, had a tax liability in the prior tax year of **\$30,000** or more, effective January 1, 2007.
- III. When the insurer, or group of insurers, had a tax liability in the prior tax year of **\$20,000** or more, effective January 1, 2008."

The tax liability for calendar year 2007 is contained on Page 3, Line 37 of the 2007 property and casualty premium tax form. To be considered timely, the tax payment must be deposited into the Insurance Department's EFT bank account on or before the payment due date.

For purposes of this law, "group" is defined as all companies included within the NAIC Group Code.

- ***RSA 400-A:32-a Timely mailing provision***

Claims for timely mailing must be supported by "...the post office cancellation mark stamped upon the envelope or other appropriate wrapper..." If the payment is not received or the cancellation mark is "...illegible, erroneous or

omitted...,’ mail “...shall be deemed filed...if the sender establishes by competent evidence that the report...or other document *was deposited in the United States mail on or before the due date for filing...*”

A Pitney Bowes postal imprint does not qualify as a “post office cancellation imprint”.

- ***Payment of Annual Statement Filing Fee***

RSA 400-A:36, II provides that “...*The insurer shall pay the fee for filing its annual statement* as prescribed by RSA 400-A:29 at the time of filing or *with the premium tax return, but no later than March 15th*. It is requested that companies continue to pay the filing fee with the filing of the premium tax return.

- ***Late Payment Penalty***

RSA 400-A:32 IV “Any insurer failing to file the report required by RSA 400-A:31 or failing to remit the proper tax within the time for filing shall pay a penalty equal to 10 percent on the amount of the tax due.”

Late payment fees shall be assessed. Please note that the word “intentionally” has been removed from the law.

GENERAL INSTRUCTIONS

ANNUAL STATEMENT FILING DUE DATE IS MARCH 1, 2008.

PREMIUM TAX RETURN DUE DATE IS MARCH 15, 2008
(See RSA 400-A:32-a Timely Mailing)

The premium tax return is due NOT LATER THAN March 15, 2008. Tax returns postmarked on or before March 15, 2008, will be accepted as having been timely filed. Tax statements and tax payments postmarked after March 15, 2008, will be subject to the provisions of RSA 400-A:32, IV, which imposes a 10% penalty for filing after the due date. *Please note that a "Pitney Bowes" postal imprint does not qualify as a post office cancellation mark.*

DO NOT SEND PREMIUM TAX FORM AND/OR CHECKS WITH THE ANNUAL STATEMENT PACKAGE

COMPLETE TAX FORM, FORWARD WITH PAYMENT TO:

**NEW HAMPSHIRE DEPARTMENT OF INSURANCE
21 SOUTH FRUIT STREET SUITE 14
CONCORD, NEW HAMPSHIRE 03301**

MAKE CHECKS PAYABLE TO: TREASURER, STATE OF NEW HAMPSHIRE

PAY IN WHOLE DOLLARS ONLY!

ELECTRONIC FUNDS TRANSFER

The Department accepts electronic funds transfers via either the ACH debit method or the ACH credit method. For those companies choosing the ACH credit method, there are no notification requirements. The company is solely responsible for insuring that the funds are in the State of New Hampshire Insurance Department EFT account on the legally due date.

ACH CREDIT

There are no notification requirements for this method. If the company is switching from ACH debit to ACH credit, please notify the Department of the effective date of the switch.

ACH DEBIT

For the company to use this method, the company must first file an ACH debit prior authorization form with the Department. Copies of these forms are available on the Department web site. In addition, the company is responsible to provide certain withdrawal information prior to each scheduled due date.

ALIEN CORPORATIONS

For retaliatory purposes, "State of Domicile" as used in this refers to State of Entry.

LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION OF 1996

Refer to RSA 408-B, Sections 4, 9 and 13 for laws concerning the deductibility of assessments made under this law. **Please note that any assessments made under RSA 404 are not eligible credits against premium tax.**

ROUNDING

The following lines on the premium tax return should be rounded to the nearest whole dollar:

Page 3, Line 40

Page 3, Line 41

Page 3, Line 42

Page 3, Line 43

Page 3, Line 44

Payment for estimated tax for calendar year 2008 due March 15, 2008, should be made in whole dollars only. Late fees cannot be applied against premium tax liability.

Cash payments should not be rounded but must be included at the actual amount paid.

WHAT IS TAXABLE?

Gross direct premiums written including renewal premiums

Policy fees

Membership and other fees

All other considerations for insurance received during the calendar year.

Medicaid Premiums are subject to premium tax.

Flood Insurance premiums reinsured by the Federal Government are taxable.

ALL DEDUCTIONS FROM GROSS PREMIUMS MUST BE FULLY DOCUMENTED.

DOCUMENTS REQUIRED TO BE FILED

1) Schedule T for the current year.

2) NH State Page for January 1 through June 30, 2007.

3) NH State Page for July 1 through December 31, 2007.

4) Detailed computations of any items on page two of this form.

5) 2006 NH Business Enterprise tax form. Do not attach Federal Income Tax Return. **Do not deduct any estimated payments that will be applied to calendar year 2007 Business Enterprise**

Tax.

6) Documents substantiating any reduction and/or credits taken on premium tax form.

PAGE ONE INSTRUCTIONS

COMPANY NAME – enter company name

BUSINESS ADDRESS – enter **complete** company address, street, city, state, zip.

TYPE OF COMPANY - enter “P&C” for Property & Casualty
 “RRG” for Risk Retention Group
 “TTL” for Title Company

FEDERAL TAX ID NUMBER - enter the company’s nine digit federal tax id number

NAIC GROUP CODE - enter the company’s four digit NAIC group code

NAIC COMPANY CODE - enter the company’s five digit NAIC company code

STATE OF DOMICILE - enter the two-letter abbreviation of the company’s state of domicile.

PLEASE INDICATE METHOD AND AMOUNT OF TAX PAYMENT.

If payment is being made by check, indicate the amount of the check in the respective box

If payment is being made by EFT, indicate the amount of the EFT in the respective box.

PLEASE INDICATE IF THE COMPANY HAS AMENDED ITS ARTICLES OF AGREEMENT (Y/N)

PLEASE INDICATE IF THE COMPANY HAS AMENDED ITS BYLAWS (Y/N)

Complete the sworn statement and have this statement properly notarized by a notary public.

PAGE TWO INSTRUCTIONS

LICENSING, FILING AND DOCUMENT FEES

Include in this section fees and charges relating to the filing of the annual statement, licensing of the company, and other documents fees. Fees and assessments computed on the basis of premiums written, assets employed, or other financial measures must be included in the appropriate sections below.

RETALIATION

NH retaliates on a tax for tax and fee for fee basis.

OTHER TAXES, FEES, AND ASSESSMENTS

Include all special and general assessments that are levied against NH domiciled companies operating in your domestic state. Include a copy of the assessment that has made by the domiciliary state

If the company's domestic state imposes any additional fees and/or taxes upon NH companies, these fees and taxes must be included herein. Complete detailed computations must be provided.

If the company calculates retaliatory assessments and taxes on allocations other than the predetermined percentages provided by the domestic state, these allocations must have been approved and be utilized in the calculation of taxes for the domestic state to be properly used for NH filing purposes. The company should include adequate explanation with their premium tax statement.

Items to be included here:

Franchise Tax
Corporate Tax/Corporate Registration
District/Municipality Tax
County/City/Canadian Province Tax
Workers Compensation Assessments
Fire Marshal Tax
Firemen's Pension Fund
Police Pension Fund
Motor Vehicle Tax
Casualty Maintenance Tax
Other Taxes
Cost Containment Fees
Financial Regulation Fees
State Rating Bureau Assessments
Merit Rating Bureau Assessments
Attorney General Assessments
Fraud Assessments
Actuary
Rate Hearing Assessments
Arson Control Assessments
Line 25 -- Insurance Department Maintenance

Column two will indicate actual payments for NH assessments. Column three will indicate assessments computed as if the company had conducted its NH business in its domestic state. Enter column 3 less column 2 in column 4 but **not less than \$0.**

Line 26 -- Other Taxes, Fees, and Assessments

Include any other assessments that the company's domiciliary state enforces against NH companies. The company should include a copy of the assessment as received from the assessing authority.

STATE PAGE INSTRUCTIONS

Premiums Written January 1 through June 30, 2007 Only!

ST PAGE JAN JUN

The company should include a NH State Page for the six months ended June 30, 2007. The data should either be manually entered or electronically copied to the ST PAGE JAN JUN. Page Three Lines 1 through 8 of the NH Basis column will automatically populate with the proper premium data.

Other Deductions

The company will need to manually list any other deductions. Complete details must be provided. The totals will automatically calculate on page 3.

Unallocated premiums written (NH Domestic)

This line is reserved for “orphan” premiums written by NH domestics. Enter the respective data on the “ST PAGE JAN JUN” worksheet. The totals will automatically calculate on page 3.

The company will need to complete the “State of Domicile” basis for lines 1 through 10 of Page 3.

Premiums Written July 1 through December 31, 2007 Only!

ST PAGE JUL DEC

The company should include a NH State Page for the six months ended December 31, 2007. The data should either be manually entered or electronically copied to the ST PAGE JUL DEC. Page Three Lines 12 through 21 of the NH Basis column will automatically populate with the proper premium data.

Other Deductions

The company will need to manually list any other deductions. Complete details must be provided. The totals will automatically calculate on page 3.

Unallocated premiums written (NH Domestic)

This line is reserved for “orphan” premiums written by NH domestics. Enter the respective data on the “ST PAGE JUL DEC” worksheet. The totals will automatically calculate on page 3.

The company will need to complete the “State of Domicile” basis for lines 12 through 21 of Page 3.

PAGE THREE INSTRUCTIONS

Page three of the premium tax return has been substantially revised from calendar year 2006 due to the change in the premium tax rate as of July 1, 2007 for certain lines of business. All premiums written from January 1, 2007 through June 30, 2007 will be taxed at 2%. Certain lines of business will be taxed at 1.75% from July 1, 2007 through December 31, 2007.

New Hampshire Basis – Taxable Premiums Written

This section automatically calculates the NH Basis for taxable premiums written from the two NH State Pages for calendar 2007.

Computation of Balance Due

The majority of the lines in this section will be automatically calculated.

Line 34. Business Enterprise Tax Credit RSA 400-A:34-a

NH Business Enterprise Tax paid in accordance with RSA 77-E may be deducted from the amount remaining on Line 33. ***This credit plus any amount on lines 35 and 36 cannot reduce the amount on Line 37 below \$0. Only those amounts incurred during calendar year 2006 may be deducted on this return.*** Any excess BET not deducted on this form must be applied in accordance with RSA 400-A:34-a.

Lines 35. Community Development Financing Authority RSA 162-L:10

COMMUNITY DEVELOPMENT FINANCING AUTHORITY (RSA 162:L-10)

The credit arising from amounts contributed in accordance with the NH Community Development Financing Authority should be included on this line. **Any credits applied without supporting documentation will be denied.**

Lines 36. Health Insurance Guaranty Fund Assess RSA 408-B:13

LIFE AND HEALTH INSURANCE GUARANTY FUND ASSOCIATION OF 1996 (RSA 408-B:13)

Line 36. 20% of Class B assessments made under the Health Insurance Guaranty Assessment Act of 1996 may be included on this line. Only **Class B assessments made in accordance with RSA 408-B** may be included on this line. **Any credits applied without supporting documentation will be denied.**

Line 37. Total Premium Taxes Payable. This line represents the company's premium tax liability for calendar year 2007 after business tax credits have been applied. If this amount is \$20,000 or higher, the company must make their payment by electronic funds transfer (EFT).

Line 38. Payments and credits

The company should enter any overpayment on March 15, 2007 less any amounts applied to calendar year 2007 fees and/or refunded during calendar year 2007. The amount of the cash payment for estimated taxes made on March 15, 2007 should also be entered in the respective line.

Lines 39 through 44 will automatically calculate and indicate the balance due.

Line 44. BALANCE DUE (OVERPAYMENT) MARCH 15, 2008

The sum of Lines 40, 41, 42, and 43. This amount is due on or before March 15, 2008.

If payment is made by check, the check should accompany the hardcopy premium tax form or forms. If paid by EFT, the EFT must be made in accordance with instructions provided by this Department.

REFUNDS

Should the company have an overpayment on Line 44, a refund will be issued prior to June 30, 2008.

TOTAL AMOUNT PAID

Enter the total amount paid at the time of filing this return.

ALL TAX FORMS WITH INSTRUCTIONS ARE AVAILABLE ON OUR WEB SITE:

WWW.NH.GOV/INSURANCE/

ADDITIONALLY, OUR WEB SITE CONTAINS ANSWERS TO FREQUENTLY ASKED QUESTIONS AND I STRONGLY URGE YOU TO USE THIS FACILITY, SINCE THIS IS A BUSY TIME FOR ALL OF US. HOWEVER, IF YOU MUST CALL, I CAN BE REACHED AT (603) 271-7973 EXT 212.

**MY E-MAIL ADDRESS IS: JANET.COLBY@INS.NH.GOV
THE INSURANCE DEPARTMENT'S FAX NUMBER IS: (603) 271-1406**

Janet B. Colby

Taxation Officer

**RSA 408-B LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION OF 1996
EFFECTIVE DATE: JANUARY 1, 1996**

RSA 408-B:4 DEFINITIONS

VII: "Insolvent insurer" means a member insurer which on or after January 1, 1996, is placed under an order of liquidation by a court of competent jurisdiction with a finding of insolvency.

RSA 408-B:9 ASSESSMENTS

II(b): Class **B assessments** shall be made to the extent necessary to carry out the powers and duties of the association under RSA 408-B:8 with regard to an impaired or an insolvent insurer.

RSA 408-B:13 ASSESSMENT TAX CREDIT

1. A member insurer may offset against its tax liability under RSA 400-A any assessment described in RSA 408-B:9, II(b) for the **life insurance and annuity account, and for the health account for guaranteeing the performance of contractual obligations of an impaired or insolvent insurer in regard to disability income coverages only**, to the extent of 20 percent of the amount of the assessment for each of the 5 calendar years following the year in which the assessment was paid. If a member insurer ceases doing business, all unaccredited assessments described above may be credited against its tax liability under RSA 400-A for the year it ceases doing business.

II. Any sums acquired by refund from the association by member insurers, as stated in RSA 408-B:9, VI, and which were previously offset against taxes as described in paragraph I, shall be paid by these insurers to the state of New Hampshire in the manner required by the commissioner. The association shall notify the commissioner that refunds have been made.

This law provides an effective date of January 1, 1996. Only those Class B assessments for insolvencies occurring on or after January 1, 1996 are affected by this law.

For insolvency's occurring on or after January 1, 1996, 20% of the assessment may be credited against premium tax beginning the calendar year following the year in which the assessment was paid. The earliest credit will be allowed as an offset against premium tax for calendar year 1997.

ANY ASSESSMENTS MADE UNDER RSA 404-D ARE NOT ELIGIBLE CREDITS AGAINST PREMIUM TAX.